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NIAGARA STRUCTURAL STEEL

COMPANY LIMITED

**ANNUAL
REPORT**

1965



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**NIAGARA STRUCTURAL STEEL
COMPANY LIMITED**

DIRECTORS:

B. R. BROWN
S. HALPERIN
M. J. HOWE
R. A. KENNEDY
H. W. OLCH, Q.C.
E. D. SCOTT
H. P. TOMARIN

OFFICERS:

H. P. TOMARIN, President and General Manager
R. A. KENNEDY, Vice-President
S. HALPERIN, Vice-President
H. W. OLCH, Q.C., Secretary
J. C. BEVERIDGE, C.A., R.I.A., Treasurer

HEAD OFFICE & GENERAL SALES OFFICE:

SMITH AND PETRIE STREETS
ST. CATHARINES, ONTARIO

DISTRICT SALES OFFICE:

55 YORK STREET
TORONTO, ONTARIO

AUDITORS:

FINE, LAYWINE & COMPANY
TORONTO, ONTARIO

SOLICITORS:

OLCH, WORLD & TORGOV
TORONTO, ONTARIO

REGISTRAR AND TRANSFER AGENT:

THE CANADA TRUST COMPANY
TORONTO, ONTARIO

First Preference Shares, Series "A" Listed: The Toronto Stock Exchange



TO THE SHAREHOLDERS:

I am pleased to report that your Company enjoyed an outstanding year in fiscal 1965. The following are a few of the highlights:

- A net profit of \$149,926.79 was realized (after allowance for all charges including depreciation, and after provision of \$163,764.62 for income tax.)
- First Preference Shareholders received in total \$38,221.09 by way of four quarterly dividends.
- Earnings per common share were 23.3¢.
- \$12,000.00 was allocated to the First Preference Share Purchase Fund. These monies are being used to purchase 2% of the total issued First Preference Shares.
- Sales Volume was increased beyond \$7,600,000.00 an increase of more than \$3,000,000.00 over sales volume for fiscal 1964.
- Sales Backlog entering the 1966 fiscal period is approximately \$4,000,000.00.

Among the many projects completed by your Company in 1965 are:

- enlargement of plate mill for Steel Company of Canada at Hamilton;
- truck plant for Ford Motor Company of Canada at Oakville;
- section of Gardiner Expressway from East Don Parkway to Leslie Street at Toronto;
- large department store for Simpson-Sears at Pen Centre, St. Catharines; and
- plant addition at General Motors, Oshawa, for Pigott Construction Company.

Handwritten notes:
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Among your Company's \$4,000,000.00 backlog are the following:

- chassis manufacturing plant for Budd Corporation of Detroit, at Kitchener;
- Steel Company of Canada blast furnace complex for Arthur G. McKee of Cleveland, at Hamilton;
- alumni hall for University of Western Ontario at London;
- chemical plant for Weatherly Corporation of Georgia, at Sarnia; and
- Chemcell plant addition at Clover Bar, Alberta for Catalytic Construction.

Your Company was in an excellent position to handle the increased sales volume because of plant expansion in the immediate past. In order to profit further from growing demand, your Company is expanding its facilities. Lands adjoining Niagara have been purchased at favourable prices. Working bays will be ex-

tended. This will permit your Company to fabricate even larger over-all steel sections. Such sections are being specified with greater frequency by steel designers.

Your Company is alert to the advantages of diversification and is investigating allied industries with a view to acquisition.

In the future your Company's interim progress will be reported to you regularly. In this regard you will be pleased to note that our unaudited statement for the First Quarter of the 1966 fiscal period indicates a net profit of \$60,000.00 after provision for income tax. Sales have increased substantially over the same period in 1965.

Your Directors wish to thank management and all employees for their dedicated service over the past year.

Respectfully submitted
on behalf of the Board of Directors,

H. P. Tomarin

H. P. TOMARIN
President

January 17, 1966

ASSETS

Current

Cash on hand and in bank	\$ 46,286.30	
Accounts receivable (less allowance for doubtful accounts of \$44,842.02)	2,194,150.34	
Inventories of steel, work in process and sundry materials — at the lower of cost or market	2,567,438.78	
Prepaid expenses	28,188.65	\$4,836,064.07

Fixed

Land, land improvements, buildings, machinery and equipment, automotive equipment, office furniture and fixtures, leasehold improvements (Note 2)	\$1,710,327.11	
Less — accumulated depreciation (Note 3)	265,868.81	1,444,458.30

Deferred

Incorporation and issue expenses	82,451.73	
TOTAL ASSETS		\$6,362,974.10

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

Toronto, December 7, 1965.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Niagara Structural Steel Company Limited,
St. Catharines, Ontario.

Dear Sirs,

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and its wholly-owned subsidiary company as at August 31, 1965 and the consolidated statements of operations and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations and earned surplus present fairly the financial position of the Company and its wholly-owned subsidiary company as at August 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period except for the change in accounting treatment referred to in Note 9 of notes appended to the consolidated financial statements.

Respectfully submitted,

FINE, LAYWINE & COMPANY,
Chartered Accountants.

HEET, AUGUST 31, 1965

L I A B I L I T I E S

Current

Bank advances (secured)	\$1,079,438.74	
Accounts payable and accrued liabilities	1,297,978.24	
Sales tax payable	234,718.10	
Dividend payable	9,604.00	
Income tax payable	98,164.64	
Advances on construction in process	1,320,177.21	
Long term debt due within one year (Notes 4 and 5)	44,075.00	\$4,084,155.93

Long Term Debt

Bank loans (secured) (Note 4)	\$ 368,325.00	
7% Mortgage payable, due December 31, 1972 (Note 5)	26,500.00	394,825.00

TOTAL LIABILITIES		<u>\$4,478,980.93</u>
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SHAREHOLDERS' EQUITY

Capital Stock

Authorized:

50,000 First preference shares with a par value
of \$30.00 each, issuable in series

400 First preference shares, series "A" pur-
chased for cancellation out of purchase
fund (Note 7)

49,600 Balance authorized

1,000,000 Common shares without par value

Issued and fully paid:

20,000 6½% cumulative, redeemable, convert-
ible first preference shares, series "A"
with a par value of \$30.00 each, redeem-
able at \$31.50 (Note 11) \$600,000.00

400 First preference shares, series "A" pur-
chased for cancellation out of purchase
fund (Note 7) 12,000.00

19,600 Balance outstanding \$ 588,000.00

475,007 Common shares without par value 997,507.00

First preference shares, series "A" purchase fund (Notes 6 and 7) 12,960.00

Excess of net asset value of subsidiary over purchase price of
shares at date of acquisition 193,896.72

Contributed Surplus (Note 7) 960.00

Earned Surplus 90,669.45 1,883,993.17

\$6,362,974.10

Contingent Liabilities (Note 8)

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

Approved on behalf of the Board:

Director: H. P. Tomarin.

Director: Harry W. Olch.

Toronto, December 7, 1965.

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
 AND WHOLLY OWNED SUBSIDIARY COMPANY
 CONSOLIDATED STATEMENT OF OPERATIONS
 FOR YEAR ENDED AUGUST 31, 1965

Profit from operations before providing for the undernoted items:		\$ 516,274.78
Provisions for depreciation (Note 3)	\$ 81,921.11	
Remuneration of executive officers and directors	96,488.09	
Interest on long term debt	24,174.37	202,583.57
		<hr/>
PROFIT (Before income taxes)		\$ 313,691.21
Deduct: Provision for income taxes		163,764.42
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NET PROFIT (Notes 3 and 9)		\$ 149,926.79
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(33,969)

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

CONSOLIDATED STATEMENT OF EARNED SURPLUS
 FOR YEAR ENDED AUGUST 31, 1965

Balance — September 1, 1964		\$ 1,800.28
Add: Net profit for year (Notes 3 and 9)		149,926.79
		<hr/>
		\$ 151,727.07
Deduct: Net loss on disposals of fixed assets	\$ 1,232.53	
Dividends on preference shares (Note 10)	47,825.09	
Amount transferred to first preference shares, series "A" purchase fund (Note 6)	12,000.00	61,057.62
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Balance — August 31, 1965		\$ 90,669.45
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The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND WHOLLY-OWNED SUBSIDIARY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AUGUST 31, 1965

1. The wholly-owned subsidiary company included in the consolidation is Spencerwood Steel Limited.
2. According to an independent appraisal made by Cooper Appraisals Limited dated February 16, 1962, the fixed assets owned on that date by the subsidiary were appraised at a depreciated value of \$1,439,547.00. The directors of the subsidiary company, however, placed a value on these assets of \$1,428,697.00 and an excess of \$913,165.46 over depreciated net book value has been included in the value of the fixed assets. Subsequent additions have been recorded at cost.
3. The Company has adopted the straight-line method of depreciation as the basis for taking depreciation on fixed assets. Depreciation charged to operations for the year is in accordance with the rates previously determined by an independent firm of consulting engineers.
4. Bank term loans maturing on November 1, 1969 are as follows:

Principal balance of first loan bearing interest at 5¾% per annum	\$233,400.00
Principal balance of second loan bearing interest at 6% per annum ..	125,700.00
Principal balance of third loan bearing interest at 6% per annum	49,300.00
	\$408,400.00
Deduct: payments due within one year included in current liabilities	40,075.00
	\$368,325.00

These bank term loans are secured by pledge of demand debentures subject to the provisions of loan agreements. The debentures constitute a first, fixed and specific mortgage and charge on the lands and equipment and a floating charge on all other assets, subject to the first mortgage on lands and buildings acquired on December 31, 1964 as referred to in note 5 following, and to the Company giving security in priority to the debentures to its general bankers on its inventory and accounts receivable or other property or assets embraced in the floating charge under the provisions of the Bank Act or otherwise. These bank term loans are repayable as to principal in monthly instalments plus interest.

5. On December 31, 1964 the Company purchased a one-half interest in certain lands and buildings adjacent to the site of the Company's plant. This property is subject to a first mortgage balance of \$61,000.00, bearing interest at 7% per annum and is repayable \$2,000.00 quarter-yearly on account of principal plus interest.

Principal mortgage balance, one-half share	\$ 30,500.00
Deduct: payments due within one year included in current liabilities, one-half share	4,000.00
	\$ 26,500.00
6. The Company has set aside out of profit to the credit of the purchase fund the amount of \$12,000.00 in accordance with the maximum requirements of the conditions attached to the First Preference shares, Series "A".
7. The Company, in the prior year, purchased for cancellation out of the purchase fund previously set aside, at a cost of \$11,040.00, 400 First Preference shares, Series "A" with a par value of \$30.00 each, and the difference of \$960.00 was credited to contributed surplus.
8. Contingent Liabilities

(a) Letters of credit, balance outstanding	\$152,633.36
(b) Customers' notes discounted	47,508.30
9. The Company, for the fiscal period under review, changed its accounting treatment so as to include profit, after income taxes, on work in process of \$116,476.14, in addition to profit on completed contracts.
10. Dividends on preference shares consist of the regular quarterly dividends in the amount of \$38,221.09 paid during the current year and \$9,604.00 being the first quarterly dividend of the following year, declared on August 31, 1965 and payable on September 30, 1965.
11. The number of common shares issued will be increased in the event of conversions of the 6½% cumulative redeemable convertible First Preference shares, Series "A", pursuant to the conversion rights attached to such shares.
12. The Company has undertaken to grant to certain officers and full-time key employees options to purchase up to a total of 45,000 common shares in its capital at \$3.00 per share, such options to be exercised within such periods as the directors may determine.

